



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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January 12, 2006

The Honorable Margarita Prentice  
Chair, Senate Ways and Means Committee  
P.O. Box 40411  
Olympia, WA 98504-0411

The Honorable Helen Sommers  
Chair, House Appropriations Committee  
P.O. Box 40600  
Olympia, WA 98504-0600

Dear Senator Prentice and Representative Sommers:

Section 207(1)(b) of ESSB 6090 (Chapter 518, Laws of 2005) requires the WorkFirst program to submit a spending plan to the legislative fiscal committees each year. I apologize for the delay in providing the plan. The attached Sustainability Report represents Governor Gregoire's proposed 2006 supplemental budget.

As you are aware, last summer Governor Gregoire chartered a multidisciplinary workgroup to find ways to improve the state's welfare-to-work system within its current budget. Meeting throughout the summer, analyzing data from this state and others, and gathering input from a wide variety of stakeholders, staff, and interested parties, the 14-member workgroup submitted their recommendations to the Governor in October. The recommendations are available at [www.workfirst.wa.gov](http://www.workfirst.wa.gov).

The attached Sustainability Report reflects the Governor's commitment to improve the WorkFirst program to help parents find and keep jobs, maintain subsidized child care and increase program and parental responsibility. In addition to improved program reforms and \$36 million in reductions, Governor Gregoire has requested the Legislature restore approximately \$46 million in the supplemental budget of the state funds that have been removed from the "welfare box."

If you have comments or questions, please contact me at (360) 902-0580.

Sincerely,

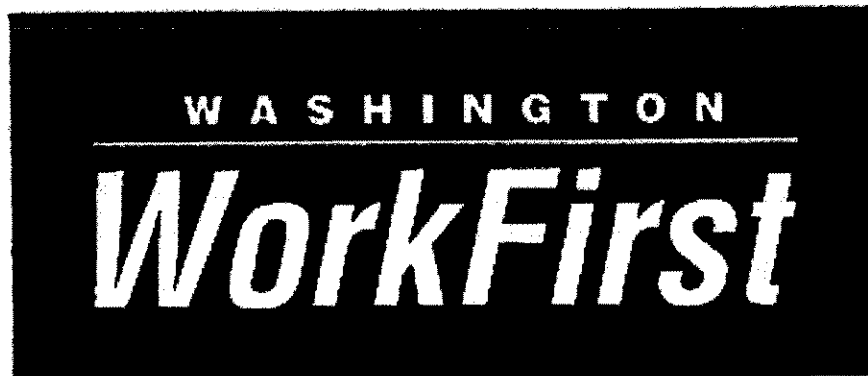
A handwritten signature in cursive script that reads "Carole L. Holland".

Carole L. Holland  
Senior Budget Assistant to the Governor

Attachment

cc: Victor Moore  
Scott Merriman  
Robin Arnold-Williams  
Karen Lee  
Juli Wilkerson  
Earl Hale





## Sustainability Plan

As mandated by Section 207 of Engrossed Substitute Senate Bill 6090  
(Chapter 518, Laws of 2005)

January 13, 2006

For more information, contact:  
Carole Holland, Senior Budget Assistant to the Governor  
Senior WorkFirst Coordinator  
Office of Financial Management

This report is submitted in response to Section 207 of Engrossed Substitute Senate Bill 6080 (Chapter 518, Laws of 2005). The report describes the proposed expenditures for the WorkFirst program included in Governor Gregoire's 2006 supplemental budget and the spending reductions that will need to be made if the additional funding is not provided.

## **Background**

In Washington State, the WorkFirst program is unique. The federal and state funds have been treated as a lidded grant, with the provision that the Governor manage the program within the funded levels, with the ability to reinvest funds in programs for low-income families, and carry forward funds from one fiscal year to the next. Since 1997, federal funds have remained stagnant. In addition, about \$300 million in state funds have been removed from the program and \$38 million per year have been used on an ongoing basis for child welfare programs.

Since the implementation of WorkFirst in 1997, there has been a significant reduction in caseload, from nearly 96,000 to 56,000 (a 42 percent reduction). This reduction provided enhancements in services for WorkFirst parents and increased services to low-income families. The majority of funds that were invested went to childcare subsidies for low-income families. Currently, childcare subsidies are used each month by nearly 37,000 families and 62,000 children.

## **WorkFirst Reexamination Project**

In the summer of 2005, Governor Gregoire chartered a multidisciplinary workgroup to find ways to improve the state's welfare-to-work system within its current budget. The review was the first comprehensive examination of the program in its eight-year history. The WorkFirst budget, which is a combination of federal and state dollars, was projected to overspend its budget by \$91 million in the 2005-2007 biennium.

The 14-member group, headed by David Harrison, a senior lecturer at the University of Washington Evans School of Public Affairs and the chair of the Washington State Workforce Board, had two primary objectives. The first was to identify ways to improve policies, operations, and services to help WorkFirst clients achieve self-sufficiency more quickly. The second objective was to keep WorkFirst costs within its 2005-2007 budget.

The WorkFirst Reexamination Workgroup submitted its report to Governor Gregoire in early October. The report, which was based on available evidence from Washington State and other states, as well as input from advocates, state agency staff and the expertise of the panel, proposed program reforms and budget reductions to achieve financial sustainability. The workgroup recommended that some of the proposed reductions be disregarded, if additional funds could be made available.

The workgroups recommendations included four main components:

1. Renew the commitment to help parents earn incomes that break the cycle of welfare dependence.
2. Focus support on families with the lowest income.
3. Streamline administrative processes to achieve the most efficient services to families on welfare.
4. Prioritize contracted services that support the principles of the program and which are most effective in helping families find work.

## **Directive for Change**

Governor Gregoire reviewed the recommendations of the Reexamination Workgroup and solicited extensive public comment on the report. More than 350 comments from individuals and organizations were received in addition to the input from employees and interested parties during the workgroup process. On November 10, 2005, Governor Gregoire issued a directive to the WorkFirst SubCabinet to strengthen the WorkFirst program.

In her directive to the WorkFirst state agencies (see Appendix A), Governor Gregoire reinforced that the core mission of WorkFirst is to help parents find work that makes them self-sufficient. Her directive for reform was based on a strengthened contract with parents in the program—they must participate or they will no longer be able to receive a grant. In addition, Governor Gregoire emphasized that the state must do a better job in assisting parents in meeting their goal.

The directive requires that state WorkFirst agencies make policy and practice improvements to help families move into economic self-sufficiency quicker, facilitate the financial sustainability of the program, and improve program performance and accountability. The improvements include:

- Improve the client evaluation, assessment and referral processes with a more timely and coordinated process.
- Improve the effectiveness of Diversion Cash Assistance.
- Examine ways to improve child support collections for families in TANF.
- Implement a plan to sanction families for non-compliance who refuse to participate in the program.
- Increase the accountability of contractors who support the WorkFirst program.
- Increase the accountability of the program through using the Government Management, Accountability, and Performance (GMAP) process.
- Work closely with community partners to improve the program and support TANF clients.

In addition to the program improvements, Governor Gregoire also directed that training and education opportunities be expanded for up to one year for parents whose

comprehensive assessment indicates that the additional training will help them achieve better jobs and their probability of completing the program successfully is high.

The reform also includes \$46 million in additional funding and reductions in expenditures throughout the WorkFirst program. These reductions include:

<b>Program Description</b>	<b>Reductions (in millions)</b>
DSHS staffing and overhead	\$11.5
Increased exits due to self-sufficiency	11.2
Protective payee and other contracts	4.3
Community Jobs and economic outreach reduction (Community, Trade and Economic Development)	3.6
Community College reduction (State Board for Community and Technical Colleges)	3.4
Child care contract	1.4
Non-compliance sanction	.9
OFM contract	.07
<b>Total Reductions</b>	<b>\$36.4</b>

## **Reductions Not Included in the Proposed Spending Plan**

As the Legislature requires, this report also identifies the additional reductions that would need to be made if funding is not available. Based on the report of the workgroup (available at [www.workfirst.wa.gov](http://www.workfirst.wa.gov)) and additional reductions identified by the WorkFirst SubCabinet, additional reductions would have to be made in the following areas:

1. Reduce eligibility for childcare subsidies from 200 percent of the federal poverty level to 175 percent (approximate annual savings of \$10.3 million).
2. Increase co-payments for child care subsidy by \$10 per family per month (approximate savings \$9.5 million).
3. Implement non-compliance sanction after three months of non-compliance, rather than six months (approximate savings of \$1.8 million).
4. Implement hard five-year time limit and remove families even though they are participating in program requirements (approximate savings of \$4.7 million).
5. Additional reductions in support service funding to DSHS and ESD.

The primary reason these reductions are not being recommended are that (1) we are not sure that the state has done its part in helping families achieve self-sufficiency and we need to first make these assurances, and (2) several of these reductions would hurt the efforts to assist low-income families achieve self-sufficiency. With this in mind, the spending plan is based on Governor Gregoire's proposed 2006 Supplemental Budget, which includes a request for \$46 million in General Fund-State for the WorkFirst program. These funds would be ongoing and continued next biennium at the same level (\$46 million). This request does not address any changes in federal requirements to the Temporary Assistance for Needy Families program.

## Spending Plan, 05-07 Biennium

The WorkFirst budget, which is a combination of federal and state dollars, totals more than \$1.6 billion per biennium. The bulk of the revenue is from the federal government to operate the state's Temporary Assistance for Needy Families (TANF) program, known as Washington WorkFirst. The federal block grant dollars have not changed since 1997, despite rising inflation and rising fixed costs such as staff salaries and offices leases.

Revenue Source	FY 2006	FY 2007
TANF (federal block grant)	\$404,331,754	\$404,331,754
MOE (state contribution)	250,474,000	250,474,000
CCDF (mandatory, match & discretionary)	105,814,000	105,814,000
CCDF Match (General Fund – State)	19,331,000	19,331,000
TANF rollover available	10,500,000	0
High performance bonus	9,000,000	0
Supplemental budget request		46,000,000
COLA and VRI funding in final 2005-2007 budget (counts as TANF MOE)	12,259,000	25,307,000
<b>Total Revenue Available</b>	<b>\$811,709,754</b>	<b>\$851,257,754</b>

As a result of Governor Gregoire's actions to reduce spending and maintain the goals of the program, the WorkFirst Spending Plan for FY 2006 and 2007 is provided below. The *Preliminary* column is the projected funding without policy and program changes (and includes the COLA and VRI funding and expenditure assumptions included in the final legislative budget) and the *Final* column represents the revised spending plan.

Item	Preliminary	Final	Change
<b>TANF Grants</b>	\$574,687,000	\$562,482,000	-2.12%
<p>Funded by a federal block grant and required state Maintenance of Effort monies, cash assistance benefits are available for low-income families, pregnant women with no other children, and certain children under 18. TANF clients are enrolled in WorkFirst, which provides services families need to work, look for work, or prepare for work.</p> <p>This funding level reflects the November 2005 TANF forecast adjusted by \$910K for non-compliance sanction in FY 2007 and \$11.2m for caseload exits due to self-sufficiency due to better engagement, increased use of diversion, quicker referrals to job search.</p>			
<b>DSHS Diversion Assistance (DCA)</b>	18,000,000	18,000,000	0.0%
<p>DCA provides one-time financial assistance of up to \$1,500 to eligible TANF applicants in lieu of receiving ongoing TANF aid. DCA assists TANF applicants accept or maintain employment and diverts the applicant from becoming dependent upon TANF. Clients must repay a prorated share of DCA if they become TANF recipients in less than 12 months.</p> <p>These estimates are based on current expenditure levels with some increase in diversion assistance that is included in the TANF grants savings assumptions above.</p>			
<b>Child Care Forecast</b>	524,154,000	524,154,000	0.0%
<p>Childcare subsidy payments through Working Connections Child Care are provided for TANF/WorkFirst participants and non-TANF low-income parents who participate in employment, work activities and allowable training. Childcare assistance helps low-income families to attain and maintain self-sufficiency.</p> <p>Families are eligible up to 200 percent of FPL, which corresponds to about \$32,200/year for a family of three. No changes have been made to child care eligibility levels in this spending plan, beyond increasing the forecast by the Vendor Rate Increase provided in the 2005-2007 final legislative budget.</p>			
<b>DSHS Financial and Social Support Services</b>	185,112,000	176,112,000	-4.86%
<p>Economic Services employees determine eligibility for TANF, diversion, childcare, and other related benefits and services, and provide case management for TANF families. TANF administrative spending is federally capped at 15 percent. Washington State's TANF administrative spending is 8.1 percent. The spending plan reflects an estimated reduction of \$9m in staff and other costs. This reduction includes the savings from the reduction in mid-management positions already taken in the 2005-07 biennial budget.</p>			
<b>DSHS Overhead</b>	30,000,000	27,500,000	-8.33%
<p>DSHS agency-wide overhead costs are cost allocated to all federal programs. The spending plan includes a \$2.5m reduction in overhead costs that will be charged to the WorkFirst program.</p>			

Item	Preliminary	Final	Change
<b>ESD Job Placement Services</b>	36,114,842	36,114,842	0.0%
<p>ESD Job Search serves the majority of WorkFirst participants. ESD is the mainstream provider, serving more than 5,000 customers per month in full-time job search activities, plus significant numbers of clients part-time. This requires ESD to provide services that meet the needs of the widest variety of customers with diverse circumstances, educational levels, work histories, skills and abilities. This spending plan includes the \$10m/year reduction directed by the Governor in the spring of 2005.</p>			
<b>Child Care Contracts</b>	48,537,710	48,137,710	-0.82%
<p>This category covers Seasonal and Homeless Child Care subsidy programs and child care quality improvement programs. Seasonal Child Care is subsidized child care for eligible families who are seasonally employed agricultural workers, while Homeless Child Care is subsidized child care for eligible homeless families involved in qualifying activities.</p> <p>Funded primarily through the Child Care and Development Fund, these programs improve the quality and availability of childcare, provide comprehensive consumer education, and increase parental choice. This spending plan level is reduced by \$700K per year, which represents the actual 2005 expenditure level. The level of spending is a 2.8% reduction. However, at this time we also updated the spending plan for the \$500K/year child care pilots funded in the final 2005-2007 legislative budget. This masks the percent change reduction taken.</p>			
<b>DSHS Local Contracts and Support Services</b>	25,608,600	21,308,600	-16.8%
<p>DSHS regions contract locally for work preparation activities (e.g., job skills), on-site family violence services in CSOs, and other services aimed at removing barriers to employment (e.g., substance abuse treatment). DSHS support services includes providing vouchers for goods and services such as gasoline, minor car repairs, and work clothes to help clients work, find work, or deal with family emergencies. The 06-07 Spending Plan change reflects a reduction in protective payee costs and lower performing contracts.</p>			
<b>DSHS Client Services and Support</b>	3,547,168	3,547,168	0.0%
<p>This category includes translation and interpreter services for TANF clients.</p>			
<b>ESD Support Services</b>	7,819,580	7,819,580	0.0%
<p>ESD provides support services, such as transportation, clothing, and minor car repairs, to allow customers to be able to participate, look for work, and to accept and keep employment.</p>			



Item	Preliminary	Final	Change
<b>SBCTC Contract</b>	47,783,200	44,383,200	-7.12%
<p>To meet local needs, colleges provide one or a combination of the following programs through a block grant. The plan reflects reductions in the community college program through the elimination of recruiters for the TANF program and by reducing funds to lower performing colleges. The spending plan also includes expanded training for up to one year for about 400 additional TANF recipients.</p> <ul style="list-style-type: none"> <li>▪ <b>Customized Job Skills/ Integrated Basic and Technical Skills Training</b> – an employer-driven individual or group job skills training. A smaller number of TANF adults are offered longer higher wage training (HWHHD).</li> <li>▪ <b>Work-Study</b> - paid work experience or internships, done in conjunction with tuition assistance that allows TANF adults to meet work requirements and attend training.</li> <li>▪ <b>WorkFirst Financial Aid/ Tuition Assistance</b> – tuition, books, and/or fee assistance to WorkFirst students for working low-income parents.</li> <li>▪ <b>Other Basic Skills and/or Job Skills Training</b> – family literacy, educational interviewing, employment skills such as those done in conjunction with job search, ABE/ESL/GED, basic computer skills, soft skills, job search competencies, and other training.</li> </ul>			
<b>CTED Community Jobs and Other Small Projects Contract</b>	29,812,000	26,212,000	-12.08%
<p>Community Jobs provides subsidized employment and training to hard-to-serve TANF recipients to prepare them for permanent unsubsidized employment. CJ contractors provide intensive case management and facilitate barrier reduction. The category also funds activities related to WorkFirst Local Area Planning. The spending plan reflects a reduction in the length of time participants will be in the program and the elimination of the economic development outreach program for WorkFirst clients.</p>			
<b>Tribal TANF programs</b>	78,200,000	78,200,000	0.0%
<p>Federal law allows Tribes the right to operate their own TANF programs with direct funding from the federal government taken out of the state's TANF block grant. In addition, state law requires the transfer of a "fair and equitable" amount of the state maintenance of effort funds to the eligible Tribe. The State also provides funds for start-up costs and unique needs. This spending plan assumes \$38.2m in FY 2006 and \$40.0m in FY 2007, which reflects the estimated increase in tribal TANF programs.</p>			
<b>Additional Benefits</b>	12,000,000	12,000,000	0.0%
<p>Additional Requirements for Emergent Needs (AREN) provides a one-time cash payment of up to \$750 to meet emergent housing or utility needs for pregnant women or families with an eligible minor who receive or apply and meet the eligibility criteria for TANF, State Family Assistance or Refugee Cash Assistance.</p>			

Item	Preliminary	Final	Change
<b>DSHS Other (Children's Admin.)</b>	76,056,000	76,056,000	0.0%
<p>An annual transfer of about \$38 million per year is provided to the Children's Administration for child welfare services provided on behalf of TANF-eligible families. Funds are used to help support the following child welfare staff and services.</p> <ul style="list-style-type: none"> <li>▪ Emergency social services staff including Child Protective Services intake and investigations and the social work needed to facilitate the initial emergency placement of children in out-of-home care.</li> <li>▪ Short-term (less than 4 months) non-recurrent kinship care supports to facilitate out-of-home placement of children with family.</li> <li>▪ Direct social service staff including Child Protective Services, Child Welfare Services and Family Reconciliation Services.</li> <li>▪ Childcare subsidies for Child Protective Services/Child Welfare Services (CPS/CWS) childcare and Employed Foster Parent childcare.</li> </ul>			
<b>OFM WorkFirst Contract</b>	1,016,000	940,000	-7.48%
<p>The WorkFirst Performance Team conducts budget management, creates and manages performance management systems, coordinates activities of the four WorkFirst agencies; and coordinates internal and external communications.</p>			
<b>TOTAL TANF BOX EXPENDITURES</b>	<b>\$1,698,448,500</b>	<b>\$1,662,974,500</b>	<b>-2.08%</b>
Current Revenue Estimates	1,556,467,508	1,662,967,508	
Difference	(101,980,592)	408	

## Ongoing Sustainability

The WorkFirst spending plan is based on Governor Gregoire's directive to the WorkFirst SubCabinet. WorkFirst agencies were directed to improve policies and practices so that participants would be engaged more quickly and completely to achieve self-sufficiency. The directive, which is attached, includes several components:

- (1) Clarify the State's commitment to assist families in achieving self-sufficiency through increased efforts to engage families.
- (2) Implement a comprehensive evaluation.
- (3) Require that families are accountable and establish non-compliance sanctions if families do not participate.
- (4) Clarify expectations for contractors delivering services to WorkFirst clients.
- (5) Provide limited expansion of longer-term educational activities to allow WorkFirst families to participate in certificate programs.
- (6) Obtain assistance from faith-based communities in helping to engage clients.

Sustaining the program, and its finances, is dependent on successful implementation of the Governor's directive. Continued monitoring of the effort, through the Government

Management, Accountability, and Performance (GMAP) process and its outcomes by the SubCabinet will support successful implementation.

In addition to successfully implementing Governor Gregoire's reforms, the WorkFirst program's continued sustainability is, in part, dependent on accurate forecasts of the cash assistance and childcare caseloads. At this time, both forecasts are tracking within acceptable margins.

Another caution in the continued sustainability of WorkFirst is the eventual reauthorization of TANF and the CCDF. The 2006-2007 WorkFirst spending plan does not include the impact of federal changes that are likely to include stricter participation requirements, less funding for program performance, and lower funding for child support enforcement.

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For more information about the WorkFirst program, visit [www.workfirst.wa.gov](http://www.workfirst.wa.gov). For more information about the program's sustainability and the content of this report, contact Carole Holland, Senior WorkFirst Coordinator, at (360) 902-0580.